

Message Text

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ACTION ABF-01

INFO OCT-01 NEA-10 ISO-00 GAO-02 FSE-00 L-03 TRSE-00
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R 031142Z JUL 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8392
INFO USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
USINT BAGHDAD
AMEMBASSY CAIRO
AMCONSUL DHAHRAN
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

UNCLAS KUWAIT 3631

PLEASE PASS GAO

E.O. 11652: N/A
TAGS: ETDR, EFIN, ELAS, BEXP, TC
SUBJECT: MORE ON NEGATIVE IMPACT OF NEW U.S. TAX REFORM ACT

REF: KUWAIT 2512

1. IN PREPARATION FOR WHAT WE UNDERSTAND WILL BE A ONE
DAY VISIT BY A GAO REP IN LATE JULY, WE HAVE BEEN GATHERING
SPECIFIC EXAMPLES OF NEGATIVE EFFECTS OF TAX REFORM ACT
ON 1976 ON U.S. EXPORTS AND U.S. PERSONNEL EMPLOYED IN
THIS AREA. WE RECENTLY OBTAINED MORE SPECIFICS ON THE
NEGATIVE EFFECTS OF THE LAW ON ONE LARGE U.S. CONTRACTING
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FIRM (ALREADY CITED REFTL) WHICH, BECAUSE THEY ARE SO
REPRESENTATIVE, MERIT PASSING ON NOW.

2. IN CONVERSATION WITH AMBASSADOR JUNE 29, FRUIN-COLNON'S
KUWAIT MANAGER TOLD US THAT, IN LAST WEEK COMPANY GAVE
NOTICE TO FIVE AMERICAN EMPLOYEES BECAUSE OF THE TAX
LAW. SINCE THE FIRM HAS NO POSITIONS FOR THEM IN U.S.

THEY MAY JOIN THE RANKS OF THE UNEMPLOYED. THE COMPANY PLANS TO GIVE NOTICE TO 90 PERCENT OF THE 60 AMERICANS IN COUNTRY AS SOON AS THEY COMPLETE WORK ON VARIOUS SPECIFIC PROJECTS. OF THE 60 AMERICANS, 20 ARE UNION MEMBERS FOR WHOM THE COMPANY HAS BEEN CONTINUING UNION PAYMENTS. HENCE, THE NEW TAX LAW WILL AFFECT SKILLED BLUE COLLAR WORKERS (FOREMEN, CRANE AND OTHER EQUIPMENT OPERATORS) AS WELL AS AMERICAN EXECUTIVE PERSONNEL.

3. AS FAR AS THIS COMPANY IS CONCERNED, THE LAW WILL ALSO DIRECTLY AFFECT U.S. EXPORTS AS WELL AS EMPLOYMENT OF AMERICANS. THE COMPANY IS INVOLVED IN A DOLS 12 MILLION BUILDING PROJECT IN SHARJAH WHERE IT HAD PLANNED TO EMPLOY ABOUT 10 U.S. CITIZENS AND PURCHASE U.S. MATERIAL AND EQUIPMENT. NOW, BECAUSE OF THE TAX LAW, IT PLANS TO HIRE, AT MOST, ONE U.S. CITIZEN AND TO IMPORT NO EQUIPMENT FROM THE U.S. BECAUSE ITS NEW THIRD-COUNTRY PERSONNEL WILL NOT BE FAMILIAR WITH U.S. EQUIPMENT AND ITS MAINTENANCE.

4. FRUIN-COLNON HAS JUST ENTERED INTO A JOINT VENTURE WITH FOUR MEMBERS OF THE RULING FAMILY IN QATAR. IT HAD PLANNED TO PURCHASE DOLS 6 MILLION IN U.S. EQUIPMENT FOR ONE PROJECT AND EXPECTS THAT THIS WILL LEAD TO MANY OTHERS. BECAUSE OF THE THE TAX LAW, IT PROBABLY WILL NOT HIRE ANY U.S. CITIZENS FOR ITS PROJECT AND BUY NO U.S. EQUIPMENT.

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5. FRUIN-COLNON WORKS IN KUWAIT THROUGH MIDDLE EAST INTERNATIONAL CONTRACTING CO., (MEICCO), A JOINT VENTURE INVOLVING IT WITH A LEADING KUWAITI FIRM AND THE KUWAIT REAL ESTATE BANK. IT HAS GOTTEN IN ON THE GROUND FLOOR AND HAD BRIGHT PROSPECTS BEFORE IT. IT MAY STILL HAVE THEM, BUT THANKS TO THE TAX REFORM ACT, THEY WILL NOT BENEFIT THE U.S.

MAESTRONE

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Sent Date: 03-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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